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New York

1889

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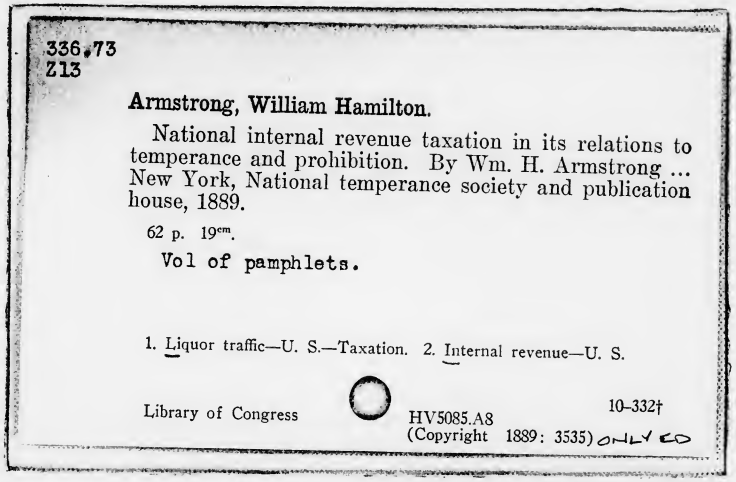

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NATIONAL

INTERNAL REVENUE TAXATION

IN ITS RELATIONS TO

TEMPERANCE AND PROHIBITION.

BY

WM. H. ARMSTRONG,

OF MILFORD, PA.,

For many years Assistant Solicitor in the Internal Revenue Bureau, Washington, D. C.

NEW YORK:

National Temperance Society and Publication House,

58 READE STREET.

1889.

AMERICAN STANDARD WORK ON TEMPERANCE.

ALCOHOL IN SOCIETY.

$500 PRIZE ESSAY.

12mo, 398 Pages, - - - - - - - - Price, $1.50.

BY RICHARD EDDY, D.D.

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The Wine at the Wedding at Cana.
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INTRODUCTION.

PERSONAL.

THE author is a lawyer, admitted to practice in New York in 1847, and was for over eighteen years, from March, 1867, to June 30, 1885, employed in the Internal Revenue Bureau, at Washington, during nearly seventeen years of which period, from August 1, 1868, to the end, he acted as Assistant to the Solicitor of Internal Revenue.

In the course of his official service it became his duty in 1872–73, and again in 1879, to prepare for the use of the Bureau and the internal revenue service throughout the United States, a Compilation of the Internal Revenue Laws, having the assistance in that important work of Charles W. Eldridge, Esq., a much-valued fellow official, now practicing law in Los Angeles, California.

From 1869 to 1885 it was part of the author's duty to examine all decisions of the courts construing any portion of the internal revenue laws, and to keep careful annotations thereof, and of the Office decisions of similar character; and it was also his duty to revise the regulations, forms, and circular instructions of the Internal Revenue Office.

In this way he naturally acquired quite full and accurate knowledge of all the internal revenue laws and regulations, and became familiar with their origin and history, the changes made in them from time to time, and the reasons therefor, and with the facts concerning their operation and results.

He voluntarily resigned office in June, 1885, his retirement being not only from office, but from all business, in order to obtain liberty and leisure for reading and travel, and otherwise to carry out a long contemplated purpose as to the closing years of his life.

INTRODUCTORY TO THE SUBJECT.

In the summer of 1888 he was urged by the editor of the *National Temperance Advocate* to give to the public, in letters to that journal, an exposition of the internal revenue system of our country, in its relations to temperance and prohibition, and especially to give his reasons for the views he had for many years entertained and discussed, in the *Advocate* and elsewhere, as to the propriety and expediency of continuing the internal revenue taxes, especially those levied on the manufacture and sale of intoxicating liquors. He did so, and the work being congenial, grew upon his hands beyond any thought he had of it at the beginning. It resulted in the preparation of a letter on the subject for each of the monthly issues of the *Advocate* from September, 1888, to January, 1889. These were written without any pecuniary compensation, as is the case with reference to the revision of the matter for this pamphlet, but the work soon became a labor of love, especially as the writer was, from time to time, greatly

encouraged in it by letters of concurrence and commendation from many of the distinguished jurists and clergy of our land, whose opinions he valued.

Finally the author was requested by the National Temperance Society and Publication House to revise the substance of the letters for publication in the more convenient and permanent form of a pamphlet, bringing the arguments in the several letters congruously together in the more compact style of a single essay on the subject. He has now done so, and respectfully submits the following exposition of law and facts, and of his reasons for favoring the continuance of our national internal revenue system.

The ruling incentive to all he has written on the subject has been the hope that, through a full and fair discussion of the questions at issue, the truth might be made clearer to the minds of many, who possibly have not heretofore had opportunity to think out those questions thoroughly, with full knowledge of the law and the facts bearing upon them; and he has written fully and freely, simply for the sake of the deep interest he feels in upholding the truth in this matter, which seems to him to have so important a bearing on the cause of Temperance—a cause that through all his life, since childhood, he has greatly loved, and to which he has to some extent devoted himself for nearly half a century.

WM. HAMILTON ARMSTRONG.

January, 1889.

INTERNAL REVENUE TAXATION.

ON the question of the propriety of taxation by the National Government of the manufacture and sale of intoxicating drinks, the views of many, perhaps a majority, of the leaders in the temperance movement in the United States (not necessarily a majority of the temperance masses), seem at present to be adverse, and favorable to the immediate repeal of the tax; virtually, therefore, as it seems to me, favoring free whiskey and free intoxicating liquors of every kind throughout our country, until prohibition shall come in all the States, and Congress itself shall adopt it for the national territories. I, too, am for that prohibition; but the difference between us is that *until we can get prohibition*, and so long as intoxicating liquors are made and sold, I am for obstructing the business with as heavy burdens, and as onerous restrictions, as it is possible to enforce against it.

Paraphrasing the "prison" illustration made last summer by Dr. Brooks, and happily improved by Judge Pitman, as to the last-mentioned point, I would say that I most earnestly hope that everywhere throughout our beloved country, as is already the case in a considerable portion of it, the people will render their verdict of guilty, and impose sentence of death by the axe of

prohibition, against that arch-offender the traffic in intoxicating drinks; but until that "consummation so devoutly to be wished" shall have come, and the day of execution shall have arrived, I am desirous that the already indicted criminal shall remain—not free as so many would have him, but, *as he is now*, under duress, in the hands of the law, fettered as heavily as may be with all the taxes, restrictions, and surveillance that it may prove practicable to enforce against him.

The political discussions of last summer developed the fact that a large number of the friends of temperance and prohibition, including most of, but not all, the members of the "Third Party," not content with opposition to the taxes on liquors, demand the repeal of the entire internal revenue system, including the tobacco taxes and the tax on oleomargarine—agreeing in this respect with the extreme wing of the friends of a high protective tariff, of the school of Judge W. D. Kelley and Mr. S. J. Randall, of Pennsylvania, who naturally desire such repeal, and for many years past have contended for it, in order to necessitate the high tariff which they, doubtless, regard as the most important of all public measures.

A favorite argument with this portion of the opponents of our internal revenue system is that all the taxes thereby imposed (that on oleomargarine excepted), having been originally levied during the Civil War, were "war taxes" which should be relinquished in time of peace. To this I answer that so long as we have yet to pay one thousand millions of dollars still remaining of the interest-bearing war debt, besides some three hundred and fifty millions of outstanding

national currency issued during the war; so long as we have over eighty millions of dollars to raise annually by taxation for the payment of pensions to the soldiers of the war, and so long as we have an annual interest charge on our war debt of over forty millions of dollars to provide for, we must feelingly regard *the financial burden of the war*, to the extent of at least one hundred and twenty millions of dollars of annual taxation, as *still with us*, notwithstanding that terrible period of battle and carnage, which some of us so well remember, is happily past.

THE GOOD SERVICE INTERNAL REVENUE HAS DONE.

And now, in connection with this subject of the war debt, and the immense financial and moral service rendered to our country by the internal revenue system in that time of direst need, and ever since, let me remind my readers of certain facts which may be news to some who have not had opportunity to learn them, and which will enable those who have attained manhood since the war to understand, perhaps better than they otherwise could, the true status in our country's history of that system, which for the service it has done, financially and morally, should be dear to the heart of every American patriot and philanthropist.

From September 1, 1862, to June 30, 1888, the Government collected through its Internal Revenue Office the enormous sum of three thousand six hundred and ninety-three millions of dollars ($3,693,501,093), of which the, at the time, vitally important sum of nine hundred and forty-six millions ($946,105,929) was collected during the last three years of the Civil War, and

in the two fiscal years following, ended June 30, 1867. Without this immense revenue we would have found it even more difficult than it was to keep our armies in the field, overcome the rebellion, and pay off the armies before disbanding them.

Of the above-mentioned aggregate of say $3,700,000,000 of internal revenue collected in the last twenty-six years, $12,148,451 were collected from fines, costs, penalties, and forfeitures; $1,327,876,909 consisted of taxes on distilled spirits; $281,270,316 were taxes on beer; $778,643,842 were taxes on tobacco and cigars, and $1,588,088 taxes on oleomargarine, making a total amount of $2,389,379,155 collected directly from the four main objects of internal revenue now taxable; and if we include the twelve millions collected as fines, penalties, etc., the greater portion of which related to the three principal sources named, we have a grand total in round numbers of over twenty-four hundred millions of dollars received into the national treasury from those sources, the taxation of which is now sought to be abandoned.

I find that the before-mentioned sum of $3,693,501,093 was the gross amount, which should be diminished by the sum of $12,046,862, commissions allowed on the sale of stamps representing tax-money. Further, the whole cost of assessing and collecting the internal revenue for the entire period up to the 30th of June last was $139,894,438.51. Deducting from this say three-quarters of one per cent. of the amount to be raised, or say $26,562,000, as the probable cost of raising the money upon United States bonds (judging from our past Government loan experience), we have

the result that $125,379,301 should be deducted from the total of $3,693,501,093, leaving still the enormous amount of nearly thirty-five hundred and seventy millions ($3,568,121,792) of *net income* to the United States Treasury over what would have come to it without internal revenue.

Besides the timely aid to the nation while it was putting down the rebellion, and when it was paying off the armies at the close of the war, consider how large a portion of our great national burden, the war debt, has been already removed through these enormous receipts from internal revenue. The national debt reached its highest point in August, 1865, when, exclusive of the bonds issued to the Pacific Railroad companies, it amounted to $2,844,649,627. The annual interest charge on this debt was then nearly one hundred and fifty-one millions ($150,977,698), the average interest rate being 6.34–100 per cent. But on the 30th of June last the national debt, including $64,623,512 Pacific Railroad bonds, amounted to only $1,015,146,012, besides $350,000,000 of treasury notes; and the annual interest charge was only $42,869,346, the average interest rate being 4.22–100 per cent.

While we have so great reason to rejoice at the comparative lightness of our present debt and interest charge, we may more fully appreciate their smallness if we will for a moment consider the stupendous size of the national debt and annual interest charge that we would now, in all probability, have been burdened with, had it not been for this most unjustly and ungratefully decried internal revenue.

Add for instance to the existing debt (say $1,350.-

000,000, including the $350,000,000 of treasury notes) simply the net amount the national treasury has received during the last twenty-six years from internal revenue, as above calculated, plus the cost of raising the amount by loans, say $3,568,000,000, and we have the vast sum of $4,918,000,000, on 4,568 millions of which would be an interest charge which, at the rate of only four per cent., would amount to $182,720,000 per annum. Our receipts from internal revenue have not only saved us from all of this, excepting the now small existing debt and annual interest charge, but have saved to us also the interest we would have had to pay on the bonds issued from year to year to take the place of those receipts of internal revenue, had that course been adopted, as it or some equally burdensome expedient must have been. Treating the rate of that interest as only four per cent., a lower rate than we could probably have borrowed upon, the interest amounts to about $1,934,600,000, from which also we have been saved by our receipts from internal revenue, making an aggregate saving to the Government of over five thousand five hundred millions of dollars. And anent this low estimated rate of four per cent. interest, I should remark that it was the prompt payment of our current debts and accruing obligations, rendered possible only by our large internal revenue receipts, which raised our credit to the height it has attained, without which aid our interest rate on United States bonds would not, I think, have sunk lower than five per cent.

If, however, in deference to those whose objections to the internal revenue system relate only to the taxes

on whiskey and beer, we take those two items alone as the receipts whose national value we are calculating, it will be seen that to the existing debt of $1,350,000,000 we would have to add (making the proportionate deductions from gross receipts on the same principles governing the entire gross receipts) $1,553,648,851, making our present debt $2,903,648,851, involving an *additional* annual interest charge, even at the low rate of four per cent., of $62,146,000, and a total annual interest charge of about one hundred and two millions. Besides this saving, through the internal taxes on spirits and beer, of over fifteen hundred and fifty-three millions principal, and sixty-two millions of annual interest charge, those taxes have also saved us the interest we would have had to pay on the bonds issued from year to year to take the place of those receipts, such interest at four per cent. amounting to $614,485,789, making altogether a saving, through the collection of internal revenue taxes on spirits and beer, of over twenty-one hundred and sixty-eight millions of dollars ($2,168,134,640).

The foregoing facts it is only just and fair to our national Internal Revenue Office to here state, now that the system it has so successfully administered has been most unjustly assailed, without thought or remembrance that its financial results have been of such immense public benefit, securing and advancing the financial credit and prosperity of the nation, and relieving us from an enormous load of debt, and contributing largely toward the lowering of the general rates of interest throughout the country, thus contributing vastly to the general prosperity of the whole nation and people.

SHOULD THE SYSTEM BE NOW REPEALED?

But of course the immediately pressing question we are to consider is not so much what good has been done by the internal revenue system in the past (although to judge of the matter properly that should be correctly understood), but whether the present system shall be continued in the future, especially with reference to the taxation of spirits, beer, tobacco, and oleomargarine.

The collections of internal revenue for the fiscal year ended June 30, 1888, besides penalties and miscellaneous collections amounting to $169,519.03, were from distilled spirits, $69,306,166.41; from fermented liquors, $23,324,218.48; from tobacco and cigars, $30,662,431.52; and from oleomargarine, $864,139.88;—making the total internal revenue for 1888, $124,326,475.32.

It is thus seen that those who are clamoring for the repeal of the entire internal revenue system are desirous of causing the country to sacrifice an annual income of $124,000,000, because of certain ideas which they entertain concerning the ethical status of less than $92,630,000 of the amount; and they thus propose to abandon, without, so far as I have heard, assigning any reason therefor, $31,500,000 of easily collected and unquestionably proper revenue, consisting of over thirty millions of dollars of tobacco tax, and $864,140 tax on oleomargarine, the former a tax on a pernicious luxury, the manufacture and sale of which, however, can hardly be called criminal, and the latter a most righteous tax, collected in the interest of the manufacture of pure and wholesome butter.

IMPORTANCE OF CONTINUING THE SYSTEM.

On the general question of the material benefit to the country of continuing the internal revenue system, Mr. Fairchild, the Secretary of the Treasury, in his report of December, 1887, asked: 'Is it the part of statesmanship to give up a revenue so easily collected, to unaccustom our people to its payment, and to do away with all machinery for its collection, when, unless we are more favored than the other nations of the world, there will come a day when it will all be needed?"; and he added: "To do away with the whole revenue from internal taxes at present would so diminish the revenues that it would be necessary either to lay duties on articles of importation now free, such as tea and coffee, or to suspend the sinking fund requirement," etc. He continues: "But it is not well to abolish or reduce internal revenue taxation; it is a tax upon whiskey, beer, and tobacco. . . . . This tax is the least burdensome, the least unjust of all the taxes which Government lays or can lay upon the people; each man has a choice to pay much, little, or none of it, as he chooses to use much, little, or no spirits, beer, or tobacco."

PRESENT IMPORTANCE OF THE INCOME.

As to the importance of the income from internal revenue, it seems to me sufficient to refer to the fact that we have not only the $120,000,000 per annum of war pensions and war interest to provide for, but on the first of September, 1891, we should be ready to pay off the remaining $200,000,000 of 4½ per cent. bonds of the war debt then redeemable, which will relieve the coun-

ry of an interest charge of $9,000,000 per annum. A good use this would certainly seem to be of the surplus now in the treasury, and any annual surplus that the internal revenue may cause for three years to come. But besides this, we need all the income possible from both the tariff and the internal revenue for the strengthening of our navy and seacoast defenses, that our port cities and seaboard may not be left as they are now, at the mercy of any third-rate naval power that may choose to attack them.

DO DISTILLERS AND BREWERS DESIRE THE TAXES TO CONTINUE?

Much is made by the opponents of the taxes on liquors, of their claim that the whiskey distillers and the brewers desire the continuance of the taxes. It is doubtless the fact that wealthy brewers, and certain combinations of large distillers do so, but a moment's consideration of their reasons why will show how little cause there is on that account to abolish the liquor taxes. Men of large capital, engaged in the business of brewing and distilling, naturally desire a state of things to continue which renders it more largely expensive and less easy for others to compete with them than would be the case were there no taxes nor legal restrictions and regulations to burden and hamper the business.

The principal object of the whiskey pools and whiskey trust has doubtless been to limit the production of whiskey and keep up or enhance its price. And how, pray, does *that* hurt the cause of temperance? Is it an encouragement to liquor-drinking for the producers of

liquor to combine to restrict the quantity produced, and to keep up its price as high as possible? Much as I detest combinations and trusts among producers and dealers to limit the production and increase the price of the necessaries, conveniences, or even the luxuries of living, I do not regard with any apprehension a monopoly that makes *intoxicating liquors scarcer and dearer*.* And just here let me repeat what I have heretofore urged, that the whiskey and beer combinations we have most to fear are the political organizations to secure the success of measures and candidates in the liquor interest, and to defeat the measures and candidates opposed to the liquor traffic. The immense power and influence of these organizations arises from the vast number of persons, most of them voters and partisans, interested in the business, and from the enormous amount of profits accumulated and still hoped for by them. These associations came into existence, not because of the internal revenue taxes, but because of the threatening dangers to the liquor business from the success of prohibition.

The repeal of the internal revenue laws would not in the least degree harm or hinder such associations. On the contrary it would increase their power; for it would increase the production and consumption of liquor, and largely increase the rate and amount of

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* "Of the sixteen distilleries at Peoria, Ill., only six are running, the other ten being kept shut by the Whiskey Trust."—*Advocate*, Oct., 1888.

"The 'Whiskey Trust' propose to limit next year's whiskey production to 11,000,000 gallons."—*Advocate*, Nov., 1888.

profit; it would greatly enlarge the number of persons interested in the business, and increase vastly their political power—a power that will not be diminished financially by being relieved from the burden of having to pay eighty or ninety millions of dollars per annum in taxes to the Federal Government.

That the desire for the retention of the liquor taxes by distillers and brewers is confined to the wealthier portions of those classes, and does not extend to the great majority of those engaged in the manufacture and sale of liquors, would seem to be evidenced by the declaration in favor of the repeal of the internal revenue taxes recently made by *Bonfort's Wine and Spirit Circular*, one of the ablest of the liquor trade journals. It says: "There is no one measure that would do so much to promote temperance and sobriety as to abolish all taxes on whiskey." Here is wonderful unanimity of sentiment between a prominent journal, representing the wine and whiskey interests, and those of our temperance brethren who urge the abolition of the whiskey tax.

THE ETHICAL OBJECTION.

Let us now, as briefly as practicable, consider the principal argument upon which our greatly mistaken friends (as they seem to me), the third party prohibitionists, and some others of our temperance friends outside the third party, base their opposition to the continuance of the liquor tax. This argument is put in its tersest and strongest form by Joseph Cook, the eminent lecturer, who, in his 200th Boston Monday lecture, said: "An internal revenue whiskey tax makes our whole

people participators in the gains and crimes of the liquor traffic. It yields about ninety-six millions in some years, but Senator Blair has just shown that the results of it are probably such as to cost us about $15 a head."

A careless reader might perhaps mistake the expression "the results of *it*" to relate to the whiskey tax referred to, but the lecturer surely never meant to say that the terrible evils of intemperance were the results of the heavy taxes and onerous restrictions imposed by the internal revenue laws on the manufacture of whiskey. Consistency of course calls on Mr. Cook to advocate the repeal not alone of the internal revenue tax, but of the customs duties on imported liquors, from which for the fiscal year ended June 30, 1887, there was collected the sum of $7,414,925. The customs duties are even more objectionable, on Mr. Cook's principle, than the internal revenue taxes, for Congress could have *prohibited the importation*, while under the Federal Constitution it cannot prohibit the manufacture in the States.

That the United States Government, by most heavily taxing the production of whiskey, and by imposing the most onerous and stringent restrictions upon the business, *without in any manner licensing either the manufacture or sale*, as the United States Supreme Court has decided,—that the Government thereby becomes a partner in the liquor traffic, and responsible for the evils that may flow from it,—I cannot believe.

In this disbelief I have the satisfaction of knowing that many of the wisest, ablest, and best friends of temperance in our country agree with me.

In fact the views of all writers on political economy,

and the opinions of all eminent jurists that I have read, agree in holding that taxes are *burdens, not favors;* * and it seems to me to be obvious that a tax of 500 per cent. over cost on the production of whiskey, with the requirements of special surveys and maps of the distilleries, heavy bonds, and constant surveillance, and compliance with the most onerous and invidious restrictions, cannot fairly be regarded otherwise than as a burden, and a heavy one, upon the manufacture of whiskey, and must be, in the consequently enhanced cost of the article, a very considerable restraint upon its use. This would be cheerfully conceded, doubtless, as to any other article than whiskey,—why should it not be, in all fairness, conceded as to that?

Dr. Storrs well says: "The tax on whiskey hampers its manufacture, discourages and measurably limits its use, and it is at any rate a kind of national protest against the unchecked consumption of the dangerous article, and for moral reasons, as well as economical, I desire it to be maintained."

As to the unwarrantable assumption that to enforce a heavy tax against whiskey is to participate in the crimes that come through the wrongful use of liquor, it is notable that in the *Advocate* for March, 1888, where reference is made to the collection of fines, amounting to thirty thousand dollars, for violating the prohibitory law of Iowa, the editor pronounces it "a good revenue." And yet, was it not accepting just *so much money* in satisfaction to the State for *crime* actually committed? whereas, in the case of the collection by the United

* See *Youngblood* vs. *Sexton*, 32 Michigan Reports, p. 406.

States of its heavy taxes on whiskey, no crime can be regarded as attributable to the liquor, until, often long afterward, it has passed into consumption, and then only when the consumption becomes creative of intemperance. In other words, if the spirits on which tax has been collected were afterward sold and used in the arts, or for tinctures and medicines, or for mechanical purposes, of course no one could be so absurd as to claim that any crime was participated in, for none was committed; and I would suggest whether it is not going too far to claim that a *crime* is committed in the act of sale of liquors only to those who use them so moderately (and we know there are some people who so use liquors), as never to be evilly influenced by them. Such moderate drinkers I know do great harm to the cause of temperance by not denying themselves even that moderate indulgence for the sake of their weaker brethren who, if they drink at all, will become intemperate; but we can hardly say with truth that either these strictly moderate drinkers, or even the persons who sell liquors *only* to them, are by *such drinking* or by *such selling* guilty of a *crime*, whatever lesser culpability they may thereby incur.

My lifelong prejudices against the liquor traffic are very strong, but they do not so blind my perceptions of right and wrong as to cause me to regard as criminal those who have committed no crime. True, liquors are hardly ever so carefully sold, excepting in conscientiously conducted drug-stores, as to avoid the encouragement of intemperance; but inasmuch as in such drug-stores, and *possibly* even in other extra-carefully conducted places of sale, liquors may be sold only to those

whose use of them will not harm the community, must we not, in just judgment, regard the wrong of the liquor traffic to consist in the wrongful use of the whiskey, and in the manufacture and sale of it for such wrongful use, rather than in *the Government's taxation* of that which, without wrongful use, will do no harm to any one?

And just here let me suggest whether, under the Federal Constitution and the State Constitutions, which give us a republican form of government, it is not for the people, represented in their respective Legislatures, to determine what business may or may not be carried on, and that no business can justly or properly be called *criminal* which is permitted by the sovereign people of the State? Who else is to decide, so far as human law and the practical conduct of the functions of human government are concerned? Can the decision be left to individual opinions, the views of religious organizations, or of writers upon ethics? To thus state the question is to answer it.

Now, it is evident that so long as the people of any State—through their State Legislature, with whom, as we see, must be left the determination of the question—permit the manufacture and sale of spirits and beer, the National Government can have no responsibility for whatever evils may come from a wrongful conduct of the business. And I would add that when a State prohibits the manufacture and sale of liquors, and thus makes those acts criminal, neither in that case is the Federal Government responsible because of its general law of taxation, for violations of the State or local law; for certainly a 500 per cent. tax, onerous restrictions, and severe penalties, are not *encouragements* to violate

the local law, but, on the contrary, *discouragements* thereto; nor does the reception, by the national treasury, of the taxes levied upon the distiller or dealer, make the Federal Government responsible for the character of the business taxed, any more than the State of Iowa was made responsible for the crime of its criminals by accepting $30,000 of fines levied upon them for violations of its liquor laws.

The most that it is possible for the Federal Government to do in any State, as to any business permitted therein, is, in the exercise of its taxing power, to burden and restrict it to the fullest extent possible; and that is exactly what the Federal Government has done as to the manufacture and sale of spirits and beer. It should be remembered that heavily taxing the liquors produced, and taxing also the sale of them, is not at all licensing either the manufacture or the sale. The U. S. Supreme Court expressly holds (5 Wall. 462), that the Federal special tax receipt is no license whatever.

INTERNAL REVENUE LAWS HELP PROHIBITION.

And just here comes in properly the answer to the claim that the internal revenue system is antagonistic to State prohibition. That is an utter mistake; for the internal revenue law expressly provides (sec. 3243, U. S. Rev. Stat.) that "The payment of any tax imposed by the internal revenue laws for carrying on any trade or business shall not be held to exempt any person from any penalty or punishment provided by the laws of any State for carrying on the same within such State, or in any manner to authorize the commencement or continuance of such trade or business contrary to the

laws of such State or in places prohibited by municipal law; nor shall the payment of such tax be held to prohibit any State from placing a duty or tax on the same trade or business, for State or other purposes."

In addition to this guarantee of non-interference by the National Government with the prohibition or taxation of the liquor traffic by the State, it gives to the State the aid, in the enforcement of prohibition, of the *additional burden* of the Federal taxes upon the carrying on of such prohibited business, the *additional surveillance* of Federal officers to see that no liquor-selling is carried on without payment of the Federal tax, and the *additional punishment* that the Federal laws and courts impose on the illicit sale of liquors. Besides this, the requirement of the special tax upon the sale of liquor in even a prohibition district, not only imposes an additional burden upon the sale, but it gives to the State or local authorities, in their efforts to enforce prohibition, the additional advantage in detecting violations of the prohibitory law, of Section 3239 of the Revised Statutes of the United States, which requires that every person (including, of course, every liquor-dealer) "liable to a special tax, except tobacco peddlers, shall place and *keep conspicuously* in his establishment or place of business all *stamps denoting the payment* of said special tax"; and also of Section 3240, which provides that "Each collector of internal revenue shall, under regulations of the Commissioner of Internal Revenue, place and keep conspicuously in his office, for public inspection, an alphabetical list of the names of all persons who shall have paid special taxes within his district, and shall state thereon the time, place,

and business for which such special taxes have been paid."

It is obvious that these provisions must practically prove very embarrassing to those who attempt to sell liquor in prohibition localities, and cannot fail to render substantial aid to the authorities of such localities in the enforcement of prohibition.

LESSON FROM OLEOMARGARINE LEGISLATION.

Since my series of letters began, I received a corroborative letter from an old official associate of mine in Washington, whose very important and extensive duties in the Internal Revenue Office have been for many years most faithfully and efficiently discharged, and whose official experience adds great weight to these words from his letter: "I am of opinion that the States cannot, single-handed, successfully suppress, or even regulate, the sale of distilled spirits, or any other article, without the assistance of the Federal Government." "This proposition," he adds, "is sustained by the history of oleomargarine legislation. The State of New York had laws prohibiting the manufacture and sale of adulterated butter and cheese. The law as to both was inoperative before the United States oleomargarine law was passed. The New York State law is now operative as to spurious butter, but *not as to spurious cheese*." It is obvious that the failure as to the latter article is owing to the absence of any Federal tax law to incidentally aid the enforcement of the State law.

These considerations indicate plainly that the proposed repeal of the national internal revenue system would not only occasion the "free whiskey" evils

so graphically depicted by Senator Colquitt—"a distillery upon every spring branch, a peck of corn bartered for a quart of whiskey, a jug of the devil's swill in every cabin"—but would leave the dairymen, and farmers and butter-consumers of our country, without any law-protection whatever from adulterated butter, inasmuch as State protection, without Federal aid, seems to have proved an utter failure.

THE LIQUOR TAXES LESSEN THE QUANTITY DRANK.

The internal revenue taxes and restrictions burden and hamper the liquor business; add to the cost of liquors and the difficulty of procuring them, and thereby lessen their consumption much below what it would be otherwise.

Hon. Albert Griffin, the distinguished Anti-Saloon Republican, in his address, quoted from in the *Advocate* for August, 1888, disputes this, and says:

"Business men know that it is the retail, and not the wholesale, price of an article that affects its consumption. Remembering then that the imposition of a tax of $2 a gallon on spirits did not cause the slightest increase in the price of a drink of whiskey, that the reduction to 50 cents per gallon was not followed by a fall, nor the subsequent increase to 90 cents by a rise, it is evident that the tax could not have operated as a restriction."

Unfortunately for these propositions, which otherwise would be so clear and conclusive, the following I understand to be the actual facts: First, That while it is true, that it is the retail price which affects consumption, it is equally true that the retail price is decidedly dependent on the wholesale price, and therefore the

wholesale price of an article does very materially affect its retail price, and consequently its consumption. Second, Brother Griffin and I never having used intoxicating beverages, nor frequented bar-rooms, are not good witnesses, from personal knowledge, on the question of the past prices of "drinks of whiskey"; and in his case I find, unless my information is entirely at fault, that he has been misled as to the facts on the subject, and as to their bearing on the question whether the whiskey taxes operated as a restriction.

My information on this point is to the direct contrary of his. I am told by one who ought to know all about it that the general price of a glass of whiskey, before the Federal tax was imposed, was three cents and sometimes six cents, while immediately after the tax was imposed—although that first tax, lasting from September 1, 1862, to March 7, 1864, was but 20 cents a gallon—the price of glasses of whiskey began to rise, first from 3 cents per glass to a universal minimum of 5 cents, then generally to 10 cents, and with the increase of the rate of tax to 60 cents (March 7 to July 1, 1864), then to $1.50 (July 1, 1864, to January 1, 1865); and then to $2 (January 1, 1865, to July 20, 1868), the price of a glass of whiskey rose to a minimum of 10 cents, and up to 15, 20, and even 25 cents.

My informant further states that "in 1861, before the whiskey tax was imposed, a very large liquor establishment in New York took in on an average $400 per day, the price of its drinks being 3 and 6 cents per glass. When the tax became $2 per gallon the price of drinks rose to 10, 15, and 25 cents per glass, and yet the receipts rose to only the average of $600 per day."

My informant continues: "Taking the average price of the 3 and 6 cent drinks at 4½ cents, to take in $400 per day required the sale of 8,889 drinks, while on the average of 15 cents per drink it would require only 4,000 drinks to be sold to take in the $600 per day—a reduction of fifty per cent. of the number of drinks sold, obviously caused by the tax and the thereby increased price of drinks per glass." He adds: "I have talked with the proprietor of another famous place, ... and the average [of his experience] was about the same." He also informs me that when the tax was reduced below $2 per gallon the prices of drinks were largely reduced, and the number sold was largely increased.

These changes in prices could not well be otherwise. At once, on imposition of the Federal tax on whiskey, and with every increase of this tax, the value of wholesale stocks of whiskey on hand was always increased at least to the amount of the tax. Many fortunes were made in this way. And to suppose that this whiskey was retailed at the same rates as before its value had been doubled and quadrupled, and still more largely increased, by the imposition of the tax and its increase from time to time; and especially to suppose that whiskey was made and a heavy tax paid upon it, and that it was then retailed by the glass at the same small rates which prevailed before the wholesale cost to the producer had become so enormously increased, is to suppose that, in the case of whiskey, all laws of barter and trade, all conditions affecting prices were reversed.

Mr. Griffin participates in the very general misunderstanding that the tax was reduced from two dollars to only fifty cents per gallon. It is true that under the act of July 20, 1868, reducing the tax, fifty cents per gallon was the rate of tax to be paid thereon by stamps; but there was imposed on the distiller by that act an additional tax on his product, of four dollars per barrel of 40 proof gallons, which made the tax really ten cents per gallon additional, or 60 cents per gallon; there was also a tax on the grain mashing capacity of the distillery, and a further requirement of reimbursement by the distiller of the sums paid by the government for gaugers' fees and storekeepers' salaries, altogether amounting to about seven cents per gallon of the aggregate product of spirits,—thus making the whole tax charged upon the distiller, under the act of July 20, 1868, about 67 cents per gallon.

By the act of June 6, 1872, taking effect Aug. 1, 1872, the barrel and grain-capacity taxes, and the reimbursement provision were repealed, and the tax was made 70 cents per gallon, being only an actual addition of about three cents per gallon. By the act of March 3, 1875, the final increase was made to ninety cents per gallon, which it will thus be seen was an increase of but twenty cents from the previous rate, and of only 23 cents from the rate referred to by Mr. Griffin as being at 50 cents; and it is further seen that there was no abrupt increase from a fifty cents rate to a ninety cents rate such as he refers to in his address.

These particulars I have given to make clear and accurate the understanding of my readers as to the changes of rates which have occurred in the taxation of spirits, as well as for their bearing on the question whether the retail price of whiskey was affected by the imposition of the Federal taxes; and in this respect it

may well be that the data thus given will enable some of my readers who know personally the facts as to the prices of glasses of whiskey in the years 1860 to 1875, to determine for themselves as to the fact in question. But it is beyond question that since the whiskey tax was imposed, the consumption of distilled spirits has greatly decreased.

In the *Advocate* for July, 1887, will be found the admirable statistical tables prepared by Hon. W. F. Switzler, the efficient, and apparently very fair and impartial, Chief of the Bureau of Statistics at Washington, which tables, as completed to include 1887, show that—comparing the present consumption of liquors with that in 1860, the nearest date given to 1862, the time when the taxation of distilled spirits began—the consumption of whiskey in the United States was, in 1360, 2.86–100 gallons per capita of population, while in 1887 it was but 1.19–100 per head.

That a large part of this decrease was due to the heavy taxation of spirits since 1860, is apparent from the fact that the substitute beverage, evidently used instead of spirits, was the very slightly taxed malt liquors, the per capita consumption of which in 1860 was but 3.22–100 gallons, while in 1887 it had become twelve (11.98–100) gallons. The tax on malt liquors is infinitesimal as compared with that on spirits, being for each barrel of 31 gallons only 92½ cents, or one dollar less 7½ per cent. deduction on purchase of the beer stamps with which the tax must be paid (§§ 3339, 3341, U. S. R. S.), which rate makes the tax a fraction less than *three cents per gallon*, instead of 90 cents per gallon as on whiskey. There being so light a burden of

tax on beer, the dealers can afford to give larger measure and sell at lower prices than if the drink were heavily taxed like whiskey; and this, it seems to me, accounts to a considerable extent for the comparative popularity and large consumption of malt liquors.

Notable confirmation of the truth of this proposition appeared in the statement reported in the New York *Tribune* of Dec. 8, 1888, as made by Commissioner Stern, at a meeting of the Legislative Commission for Revision of the Excise Laws, on the previous day, "that it was his experience that there was as much alcohol in a glass of ale as in a glass of liquor, and the ale could be bought for 7 cents a quart, which brought it within the reach of those who *could not afford the stronger liquors.*"

In 1886 the government of Germany increased the tax on distilled spirits considerably. Information from official sources shows that since the increase took effect there has been a great falling off in the consumption of spirits in that country.

ADULTERATION.

In advocacy of the repeal of the whiskey tax it has been argued that such repeal would, by diminishing the cost of spirits to the retailer, lessen his temptation to adulterate the article. While this is perhaps to some extent true, I fear that the absence of the tax would prove but small help toward reducing the evil; for at the best it would but tend to substitute, for the whiskey made strong by drugs, that cheap, raw, unrefined whiskey, which, from its fusel-oil and other deleterious properties, is probably as poisonous as the drug-

strengthened article. We have all heard of "Jersey lightning" as a synonym for the most quickly prostrating and dangerous kind of spirits. I conjecture that the term refers simply to the strongest cheap, raw whiskey, in which remains its own full share of fusel-oil, and not to the drugged article. It will thus be seen that the substitute which the removal of the tax might induce the dealer to furnish to his poorer customers would be but little if any improvement, as to its poisonous character, upon the drugged article he sometimes furnishes at present.

TAX A BURDEN ON DRUNKARDS' FAMILIES.

Another repeal argument of about the same character and weight, is that the liquor tax paid by the consumers in the increased price of their whiskey is, in a great many cases, taken from the earnings of drinking men necessary to the support of their families. This also is doubtless true; but is it a good and sufficient reason for removing the tax, in order that the whiskey may be sold so invitingly cheap that no drinking workingman need hesitate to drink to drunkenness because of the expense of it, inasmuch as the cost of that luxury will be so moderate that he will still have something left of his earnings for his family to live upon? I hardly think that many minds are so constituted that they will regard this result as "a consummation devoutly to be wished," when it is remembered that such cheapening of the cost of whiskey to the consumer involves making the pernicious indulgence in intoxicating drinks more easy and tempting to everybody, rich and poor, old and young.

No! The true remedy for both these evils of adulterated liquor and the poverty of drunkards' families—evils which I have seen adduced, even in the columns of the *Advocate*, as arguments for the repeal of the whiskey tax, is not to *cheapen whiskey*, but to labor for the reformation of the drinking man from his evil habit, and for the prohibition, and where that is impracticable or delayed, the *restriction meanwhile* of the business of the liquor-seller: burdening him, *without licensing him*, with the heaviest taxes and the most onerous and invidious restrictions,—Federal, State, and municipal,—that can possibly be enforced.

The maxim which in "the days of my youth" was most forcibly impressed upon temperance workers was: "Moral suasion for the liquor-drinker; legal suasion for the liquor-seller."

Time has not lessened the wisdom of that method.

TWO OPINIONS.

A letter of Senator Edmunds to a friend in California, last summer, announced that he was "in favor of the total abolition of the whole internal revenue system," but concluded "that the present state of the expenditures of the Government is such as to probably require a retention of the whole or some part of the internal revenue system as it relates to the liquor traffic."

Per contra. The Hon. James G. Blaine, in his "message from Paris," sent the same summer, to his countrymen, said: "I would not advise the repeal of the whiskey tax. There is a moral side to it. To cheapen

the price of whiskey is to increase its consumption enormously."

THE INTERNAL REVENUE BUREAU.

In the above-mentioned letter of Senator Edmunds, he refers to our national internal revenue system as having "its army of spies and office-holders and bummers." So far as this was meant to apply to the collectors and their deputies and other employés outside of Washington, those classes must have changed greatly in the last four years, if the epithets the Senator applied to them had foundation in fact. But with reference to the Internal Revenue Bureau itself, I know from my own observation, and very reliable information, that any such terms of abuse, if intended to apply to the officers and clerks of that Bureau, were without warrant of truth. It gives me pleasure to be able to say of that Office, from what I have seen and learned of it, that I have no doubt whatever it remains now, under Commissioner Joseph S. Miller, as it was under his Republican predecessors, one of the best conducted, and most honestly and efficiently administered, of all the departments of the public service. Mr. Miller —with the efficient aid and wise counsel of his able Staff of Assistants, including the faithful and indefatigable Chief Clerk John D. Biddis, and the trusty and long-experienced Heads of Divisions and Chiefs of Sections—has proved a successful, and so far as I have heard, an irreproachable Commissioner. The only charge I have ever known to be urged against him was but the carping of the spoils politicians of his party, complaining that he would not prostitute his high

office to their ignoble service. From the outset he seems to me to have shown a brave and honest determination to faithfully administer the great trust committed to his hands with supreme regard to the interests of the Government and the country, rather than to afford places for the political hacks of his party. With conscientious courage, and with a clear perception of the *true* interests, even of his party, as charged with the safe conduct of the great Internal Revenue System, he has retained in service mainly the same Heads of Divisions and Chiefs of Sections, and the same veteran clerks, who, for so many years past, have made the Internal Revenue Office at Washington the equal, if not the superior, of any Bureau in the Government service. The faithful and efficient under officers and clerks of that Office—several of whom have grown gray in honest service there—have found that, in one Bureau of the Government, at least, such public servants receive the full benefit of the Civil Service laws passed for their protection.

While I am an Anti-saloon Republican, I am sufficiently independent of party, and devoted to truth and justice, to say that to Secretary Fairchild directly, and to President Cleveland indirectly—whatever may be their political shortcomings in other respects (and I certainly do not under-estimate *them*)—there is fairly due, on their approaching departure from official life, this meed of praise: that they seem to have honestly and courageously defended the subordinate officers and clerks of the Internal Revenue Bureau, from the political cormorants who would fain have driven most of them out, to make places for their political henchmen, whose

ignorance and inexperience, to say nothing of other probable items of unfitness, would soon have brought into confusion and disrepute that important branch of the public service.

But one glaring exception must, in candid truth, be made to this commendation, and that was solely the fault of the President himself. After bravely refusing, for over three years, to displace the admirable Solicitor of Internal Revenue,* Hon. Charles Chesley, of New Hampshire, and having had special reason to know that, in the interest of the public service, it was of great importance to the Internal Revenue Office to retain him,—he being, beyond all question, the best equipped lawyer in the whole country for that Solicitorship, in which office he had served faithfully and acceptably for nearly seventeen years,—President Cleveland, in June last,—probably in the stress of effort to secure the vote of New Hampshire for his re-election,—yielded, and gave that exceedingly important Solicitorship — an office that of all others, next to the Commissionership, should be kept perfectly free from any possibility of the control or influence of distillers or brewers—to a friend (and I understand the *express nominee*) of Hon. Frank Jones, the Great Millionaire Brewer and Democratic Boss of New Hampshire.

* A Solicitor of Internal Revenue was added to the Internal Revenue Office corps, by the Act of July 13, 1866, but by the Act of June 22, 1870, organizing the Department of Justice, the solicitor was formally transferred to that Department, but always remained in direct connection with the Internal Revenue Office, having his room next to the Commissioner's, in view of his being in fact the Commissioner's legal adviser.

OBJECTIONS TO ABANDONING TAXATION TO THE STATES.

Many advocates of the repeal of the Federal taxes on the manufacture and sale of liquors, argue that it is preferable to relegate such taxation to the several States, thus of course conceding the propriety and expediency of liquor taxation. The answers that occur to me as to this proposition are: *First*, that the States have already full power in the premises. *Second*, that as to the Territories and District of Columbia, Congress must then, as now, regulate the matter, and it may well be supposed would continue the present system. *Third*, six or more States are now wholly under prohibition, with many more in large part under local-option prohibition, and were the national liquor taxes repealed, and should the States adjoining the prohibition States or localities choose to omit to tax the manufacture of liquors, the prohibition States would be seriously embarrassed thereby in the enforcement of their prohibitory laws. And *Fourth*, any attempt made to impose a State tax on the product of a distillery or brewery would be met in most cases by a protest from the classes proposed to be taxed, based on State pride and assumed State interests, alleging that such taxation would put their own State at a disadvantage as to their neighbors in the adjoining States who might have no such taxes to pay. But *Lastly*, it would seem too obvious to need argument or elucidation, that *uniformity* in the legislation of the several States concluding to tax, as to the rates of the taxes on whiskey and on beer, and substantially also as to the

mode of collecting them, must be arrived at before any such taxes could be effectually enforced; and to bring about such uniformity would be difficult, if not impossible, considering the great diversity between the several States in their local interests, and in the views, disposition, and characteristics of their people. And without uniformity—with the whiskey tax, for instance, in one State 90 cents per gallon, in another 50, another 20, or even 10 cents, with no tax at all in other States—the practical result doubtless would often be that distilleries, operated for the market of a taxing State, would be located just across the border of the low-tax or "free whiskey" State adjoining. All sorts of evasive uses of State border-lines would abound, and give rise to "no end of" border whiskey troubles. In short, to use, somewhat paraphrased, the forcible language of an able and eloquent lady advocate of temperance, used by her as to the necessity of *national* constitutional prohibition, I would say: "It is *impossible*" to effectually enforce a tax on whiskey and malt liquors "in this country, *except by the strong arm of Federal law.*"

INTERNAL REVENUE SYSTEM CONSTITUTIONAL.

The eminent lady lecturer referred to has on various occasions eloquently argued that the National Internal Revenue System, concerning the liquor traffic, "is an interference by the General Government with the police power of the States" (see *Advocate*, June, 1888). In the *Advocate* for February, 1888, she contends that "the system of *internal revenue taxation*" [not confined to *liquor* taxation, remember] "is a most extraordinary exercise of the derived powers of the General Government,

justified only by great financial necessity"; and that "to continue" it "after the necessity is passed, and in the present congested condition of the United States treasury, is *unconstitutional.*" She also states (in the *Advocate* for October, 1888) that "it is not possible, *according to our Constitution*, for the General Government to exercise supervision of the traffic in the States."

These are grave assertions, and by a lawyer, too; for I understand the lady is a member of my own profession, but with fraternal regard and high respect for my good sister in the profession and in the cause of temperance, I am obliged to differ with her as to these questions of law.

What she asserts *was* true, one hundred years ago, under the Articles of Confederation; but when "the people of the United States, in order to form a *more perfect Union*," ordained a Constitution for the United States of America, that Constitution expressly provided as *the very first item* of the powers of Congress, the power "To lay and collect *taxes*, duties, imposts, and *excises*" (Art. I., sec. 8).

That there might be no possible interference with this power, or with any other provision of that Fundamental Law of the new Nation, by the police or other powers of any of the States, Article VI. of that instrument declared that "This Constitution, and the laws of the United States which shall be made in pursuance thereof . . . . shall be the SUPREME LAW OF THE LAND; and the judges in every State shall be bound thereby, anything in the *constitution or laws of any State* to the contrary notwithstanding."

It is plainly obvious from this that no "police

power," or any other power, of a State can interfere with the enforcement, everywhere within the United States, of the internal revenue laws imposing taxes and excises thus expressly provided for in the national Constitution.

The Supreme Court of the United States is of course better authority on this point than either the lady lawyer I refer to or myself, and in various cases, in which the constitutionality of different provisions of the internal revenue laws has been considered, the court has sustained them all, and has held further that, except as to exports, and the requirement that "all duties, imposts, and excises shall be uniform throughout the United States," there is no limit whatever to the exercise of this Federal power of taxation. (See 12 Otto 586; 7 Wallace 33; 8 Wall. 533; 15 Wall. 112; 23 Wall. 331.)

In the case in 8 Wallace, Chief Justice Chase, in delivering the opinion of the court, says: "It still extends to every object of taxation, except exports, and may be applied to every object of taxation to which it extends *in such measure as Congress may determine.*"

Under this plenary power conferred upon Congress, internal revenue officers in the discharge of their prescribed duties in enforcing the internal revenue laws everywhere, are expressly protected against any interference by the police power, or any other power of the States, by Sec. 643 of the U. S. Revised Statutes, which provides that "When any civil suit or *criminal prosecution* is commenced in any court of a State against any officer appointed under or acting by authority of *any revenue law of the United States* now or hereafter enacted, or against any person acting under or by authority of any such officer, on account of *any act done under color of his office* or of any such law, or on account of any right, title, or authority claimed by such officer or other person under any such law, ... the said suit or prosecution may, at any time before the trial or final hearing thereof, be removed for trial into the [United States] Circuit Court next to be holden in the district where the same is pending, upon the petition of such defendant to said Circuit Court." *

Sec. 934 U. S. Rev. Stat. very significantly provides that "All property taken or detained by any officer or other person, under authority of any revenue law of the United States, shall be *irrepleviable*, and shall be deemed to be in the custody of the law, and *subject only* to the orders and decrees of the *courts of the United States* having jurisdiction thereof." And for dispossessing or rescuing such property, Sec. 5446 provides both fine and imprisonment, and Sec. 3177 provides, for forcible rescue, or for obstructing or hindering any collector, deputy collector, or inspector "in the exercise of any power and authority vested in him by law," a still larger fine and longer imprisonment.

It seems to me that these provisions of the Constitu-

* The U. S. Supreme Court, in Tennessee *vs.* Davis, 100 U. S. Rep. 257, and in Davis *vs.* South Carolina, 107 U. S. Rep. 597, held that under this Sec. 643 the indictments for murder were properly removed from the State courts to the United States courts. The homicides occurred as to persons resisting the enforcement of the internal revenue laws. The opinion in one case was delivered by Justice Strong, and in the other by Justice Matthews.

tion and laws of the United States, and these decisions of the Supreme Court, fairly and effectually dispose of any argument based on the mistaken idea of the supremacy of the Police Power of the States.

NOT OBJECTIONABLE TO THE SOUTH.

But the same eloquent objector claims, in the October *Advocate*, that "The tax is a continual reminder to the people in the South, the moonshiners of both Carolinas and Georgia, of the controversy which did exist, and which was the occasion of the putting on of the tax. There is continual friction between the State Government and the General Government, and that friction we ought to avoid."

So far as my knowledge extends, I regard it as a great mistake to suppose that any such friction exists. There have been comparatively few cases from the beginning, and for years I have not heard of any. The Constitution and laws of the United States, and the Supreme Court decisions, are too explicit to allow of any serious conflict of opinion on this subject between the State Governments and the General Government. Conflicts between the General Government and defrauding violators of the internal revenue law, in the Southern States and elsewhere, of course, constitute no reason for repealing the law to *conciliate the law-breakers*. All government by law, and, in fact, civilized society itself, would be impracticable were that principle to prevail. As to repealing the internal taxes from which we receive over one hundred and twenty millions per annum (just enough to pay the war pensions and the interest on the war debt) because the collection of those taxes may, in a

small portion of the South, offend the delicate sensibilities of the murderous moonshiners, and of the few remaining haters of national supremacy, or because it may remind the people of the South "of the *controversy*" which once existed, and which necessitated the present revenue system of the United States, it seems to me that it would be just as logical and patriotic to claim that the high-rate customs duties, which yield over two hundred millions per annum, ought to be repealed—not on any principle of free trade or enmity to the protection of American industries, but to avoid reminding the people of the South, by the existence of so high a tariff, of the War of the Rebellion which necessitated it.

That wise and eloquent friend of Prohibition, Govenor Colquitt, representing the State of Georgia in the Senate, and recently re-elected by an almost unanimous vote of the Legislature, seems to have had no trouble of mind, when denouncing the proposed repeal of the whiskey tax, as to this claim of friction between the State and General Governments, nor as to the painful reminder, to the moonshiner of his State, that the frauds upon the national revenue, which that moonshiner spends his valuable time in perpetrating, are against internal revenue laws necessitated by the "late unpleasantness," in which he took a more or less valiant but unsuccessful part. On the contrary, Senator Colquitt declares in the Senate that no greater wrong could be perpetrated *on his section*, and that it would be an outrage "*on all our people*." Surely, our good friend from Iowa will not claim that she is better entitled to speak on this question *for Georgia and the South* than this Foremost Friend of Temperance that the South

has yet sent to represent her in the United States Senate.

NO DANGER OF THE TAX BECOMING A NECESSITY.

That able lawyer and good friend of prohibition, U. S. Senator James F. Wilson, of Iowa, objects to the continuance of the taxes on intoxicating liquors, because he fears they may otherwise become a revenue necessity. His argument, or a portion of it, is given in the May *Advocate*. The gist of it is that makers of and dealers in whiskey and beer favor the preservation of the tax in the hope that the reduction of revenue in other directions would result in so firmly imbedding *their business* (?) in our revenue system that it can never be disturbed; and he asks, Shall we give to that business "enduring support by making it *a necessary presence* in our revenue system?" and he proposes that we "tear down the *revenue pillar* which is now one of its most reliable supports."

If to imbed in our revenue system heavy taxes and restrictions upon the production and sale of liquors is, as a necessary consequence, to imbed *the business thus taxed and restricted* into our social and commercial system, the Senator's proposition would be logical in form, although based as to the facts on a false premise. But as his proposition stands, it seems to me what Stuart Mill calls a "fallacy of inference,"—an "*erroneous* conclusion from *supposed* evidence."

Did the Senator mean to argue that if we do not at once abolish the liquor taxes, and provide for our needed revenue otherwise, those taxes will become an indispensable part of our reliance for revenue, and *as a consequence* (?) liquor production, sale, and consumption will be thereby perpetuated?

If so, I would answer, first, that the liquor taxes, however long continued, can never in our country, for reasons I will soon state, become an absolute necessity for national revenue; second, however great a necessity might exist or at any time arise for them, it is obvious that *that necessity* could not cause the production and consumption of liquors to spring up to answer it. Suppose, when the seeming necessity arose, one-half or more of the United States should be under prohibition —constitutional, legislative, or local—is it to be supposed that the necessity for the additional revenue would cause the repeal of prohibition, the resurrection of the dead distilleries and breweries, and the revival of the thirst for stimulants of the millions who had ceased their drinking of the "devil's swill," as Senator Colquitt calls it?

Senator Wilson says, with reference to the liquor revenue of Great Britain, that "it has come to be regarded as a fixed and permanent part of the system. A chancellor of the exchequer would as soon think of interfering with the Crown itself as with the liquor taxes." *Per contra* to this, however, is Gladstone's statement to the English brewers on this very point, made, too, if I mistake not, when *he* was Chancellor of the Exchequer: "The question of revenue must never stand in the way of needed reforms. Besides, with a sober population, not wasting their earnings, I shall know where to obtain the revenue."

But the Senator adds as to the supposed fixedness of the system: "Nor has this economic condition been

without its effect on the purposes and habits of that people. The purposes all tend to maintain the traffic and the tax, and steadily but surely the habit of use has grown and the volume of consumption increased." This seems to intimate that the "economic condition"—that is, the fixedness of the liquor taxes as part of the English revenue system—has the "effect on the purposes and habits of that people" of leading them to so largely drink intoxicating liquors as to maintain the traffic and the tax.

That this idea, applied either to the United States or to Great Britain, is contrary to the nature of things, seems to me obvious. I take it to be self-evidently true that men, as they are now constituted, do not, either here or in England, drink liquors the more because they are heavily taxed and thus made dearer; and neither in England nor America do men engage in the manufacture and sale of whiskey or beer more readily because there is a heavy tax to be paid on their business.

The great mistake made by the many who are misled by the fallacy in question, is that they are vainly striving to stand the pyramid of facts in this matter on its apex instead of its base.

The taxes we are discussing—500 per cent. on the cost of the main article—rest heavily on the liquor business; the *business does not rest upon the taxes*, it rests upon the depraved appetite for strong drink. The very heavy "revenue pillar" the Senator refers to (ninety-three millions in weight this last fiscal year) is not, as he seems to suppose, *under* the liquor business, supporting it as a superstructure, but, on the contrary,

it rests ponderously *upon* that business, crushing it into smaller compass than it would otherwise occupy, and depriving it of much of its vitality. Let that "revenue pillar" now pressing upon the business be removed, and we would soon see what an immense relief it would prove to the liquor manufacture and the traffic, which would at once spring up with largely increased vitality, and swell to a much greater extent than their present proportions.

The supposed fact which the Senator refers to, that the liquor manufacturers and *dealers* desire the continuance of the liquor taxes, is, as I have hereinbefore explained, a mistake. Liquor-*dealers* have shown how it is with them by their recent unanimous and, unfortunately, successful effort in the State of New York, to re-elect their special friend and *defender from high taxes*, Governor Hill. And that the smaller and more impecunious distillers and brewers do not favor the burdensome taxes, and onerous and expensive regulations and restrictions, imposed by the internal revenue laws, and which place them at a disadvantage as to their wealthier rivals in business, is but natural; while, as I have said before, only those distillers and brewers who are wealthy capitalists and corporations desire "a state of things to continue which renders it more largely expensive and less easy for *others to compete with them* than would be the case were there no taxes nor legal restrictions and regulations to burden and hamper the business."

And let us suppose that these wealthy distillers and brewers reason rightly as to it being to their advantage to have the taxes, etc., remain, that they may be thereby

enabled to monopolize the business of distilling and brewing, — to that extent practically restricting the production of liquors to their own limited number— Wherein does *that* hurt the cause of temperance?

Manifestly it tends to lessen the quantity produced, and thus makes intoxicating liquors scarcer and dearer. The truth is that this idea of repealing the liquor taxes because certain wealthy brewers and distillers are desirous of retaining them, not to extend liquor-drinking, but for their own monopolizing purposes as against their less wealthy competitors in the same business, is, in my opinion, one of the most illogical and delusive of arguments.

The apprehension entertained by Senator Wilson and others as to there being danger that our national taxes on liquor may become a necessary reliance for revenue was shared by a friend and correspondent of mine in England, an eminent scientist, whose name is known the world over. He wrote to me: "Suppose the time when the revenue from land sales ceases and external duties are all abolished by the success of the free trade party, then the liquor taxes would become the mainstay of the revenue. . . . . Look at our position in India. We are *obliged* to encourage and favor the opium traffic in all Eastern countries, because we depend so largely on the opium monopoly for our revenue."

I answered this point as follows: "Of the three hundred and fifty millions of dollars or thereabout of our annual revenue, but ninety millions of it are from spirits and fermented liquors. To show how comparatively easy it would be for us to dispense with this

feature of our resources, even if free trade should sweep away our tariff on imports, I would cite the fact that, for the fiscal year ended June 30, 1866, immediately after the exhaustion of the Civil War, we collected, of *internal revenue alone*, THREE HUNDRED AND TEN MILLIONS OF DOLLARS, of which vast sum the taxes on spirits and beer together yielded less than thirty-eight and a half millions (spirits, $33,268,171, and beer, $5,220,552). The tobacco tax that year yielded but sixteen and a half millions, or only about half of the present revenue from that source. The other two hundred and fifty-five millions came from internal taxes (all since repealed) on manufactures of nearly every kind, auction and brokers' sales, banking business, legacies and successions, carriages, yachts, pianos, organs, gold watches, gold and silver plate, billiard-tables, cotton, mineral coal, illuminating gas and oils, gross receipts of railroads, stage-coaches, steamboats, ships, ferries, bridges, insurance, express and telegraph companies, theatres, operas, lotteries, special taxes on the various kinds of business, stamp taxes on documents, etc., etc.—and last, and best source of all, because the fairest and most easily borne, and, if need be, the most productive of all,— the income tax, which for that year yielded in round numbers sixty-one millions of dollars.

"The justly taxable incomes—say those over $2,000 per year—have increased enormously since that time; and a three per cent. tax on the immense number of incomes over $2,000 per annum would now, I believe, more than make up the loss of the ninety millions of liquor taxes, if we cared to dispense with them. So you see, my dear sir, that we are in no such position

as to whiskey as you are in with reference to the East India opium trade. It is not, and *can never be* with us, a necessity to levy a tax on liquors, but simply a matter of choice; and my own view is, that we *should choose* to burden the manufacture and sale of liquor, not only by onerous regulations, restrictions, and surveillance, but with the heaviest taxes they will bear."

I might have added that a very material difference between the system of government here and in England, is that *here* every one of the United States has Home Rule on the question of prohibiting the production and sale of liquors; and that for this reason, as well as others, our Federal Government cannot, if it would, count upon the continuance of any regular, or certainly reliable, revenue from liquor taxation.

AS TO REPEALING THE INTERNAL REVENUE SYSTEM.

In view of the considerations hereinbefore presented, is it wise or statesmanlike to repeal the entire internal revenue system, with its heavy Federal taxation and restriction of the liquor traffic, and the Federal aid to State and local prohibition connected therewith, and to have, so far as the Federal Government is concerned, unburdened, unrestricted, free whiskey and beer, and free intoxicating liquors of every kind, until, at some distant day in the future, our temperance millennium shall come, in the universal adoption and enforcement of constitutional prohibition of the liquor traffic.

But what a saturnalia of drunkenness, misery, ruin, and crime would meantime make lurid the many years that must elapse before that millennium can come. It was

well said editorially in the *Advocate* for August last: "Free whiskey without prohibition is a public peril"; and I cannot here do better than quote, more fully than before, the eloquent words of warning spoken in the United States Senate by Governor Colquitt, of Georgia. After quoting the opinions of Jefferson and others, he said:

"In the light of the wise and sober utterances of the sage of Monticello, I declare that no greater wrong could be perpetrated on my section than to abolish the whiskey tax. It would flood our States with cheap whiskey, demoralize and brutalize our laboring class, and render worse than nugatory the labors of a quarter of a century in the interest of their advancement. It would be an outrage on all our people, but against the negro race it would rise to the proportions of a hideous and appalling crime.

"A distillery upon every spring branch, a peck of corn bartered for a quart of whiskey, a jug of the devil's swill in every cabin will convert every neighborhood into a pandemonium, and expose to danger the purity of every Christian household. Families would fly into the towns and cities and abandon the country to the orgies of sensual, drunken, debauched wretches.

"It is a universally recognized principle in all civilized governments that luxuries and articles promotive of vice are especially fitting subjects of taxation. This principle is of wise and just application in all governments, but peculiarly so in those which depend for their glory, their greatness, and their perpetuity on the virtue and intelligence of their people.

"It is impossible to deny honestly and logically the justness of the principle, or the fairness and propriety of its application to the taxes in question. Burdens upon vice are incentives to virtue. It is right to make vice and vicious tendencies pay dear for the privilege of existence. I am not for giving to whiskey, so far as the permit of Government can give it, the unrestrained freedom of the country. Untaxed whiskey will be cheap whiskey. Cheap whiskey will necessarily result in in-

creased consumption. Increased consumption will be followed by increase in lawlessness and crime and degradation."

In the synopsis of Internal Revenue taxation at the close of this pamphlet, will be found a statement of the ten per cent. tax on circulating notes, other than treasury or national bank notes. All who appreciate the vital importance of retaining the present admirable paper money system of our country—which in connection with, and at par with, coined money, constitutes so reliable and useful a medium of exchange in all our business transactions, small and large—should remember that the national bank note portion of it (now $234,000,000) depends largely on that practically prohibitive ten per cent. *internal revenue tax* for its continuance, as it is that alone which protects it and the people from the comparatively irresponsible State bank and private bank circulating notes, which would otherwise flood the country, and a portion of which, in the days before the war, earned for itself the name of "wild-cat currency." The danger of the recurrence of that disastrous financial condition should this ten per cent. tax be removed, as it would be if the whole internal revenue system should be repealed, seems to me a strong argument against such repeal.

LETTERS OF APPROVAL.

As mentioned before, since the publication of my letters on this subject began, I have received many letters of concurrence and commendation. I doubted whether I should not, *in the interest of the cause* I advocate, quote from certain of them, written by men of

eminence and influence. This consideration determined me to do so: that in the discussion of a question of so much practical public importance, and which has become a burning question to be now considered, I should not, from any considerations personal to myself, suppress what seems to me most important and significant testimony in favor of the continuance of our internal revenue system. What I have written carries with it to the public mind no weight from *my* name; but when it is indorsed by the men of mark in the community, both in Law and Divinity, whom I shall now quote from, the propositions and arguments I have submitted will probably command more consideration than would otherwise be accorded them.

The oldest, and in temperance work the foremost, of those to whom I refer, is the Hon. Neal Dow, father of Prohibition in this country. Under date of October 30th he wrote to me: "I have been unable to see how it is that this tax, levied by the U. S. Government, in any way encourages, permits, approves, or supports the liquor traffic." On sending the October *Advocate* to ex-Justice Strong, of the U. S. Supreme Court, retired—one of the most eminent jurists in America—he wrote to me expressing his "hearty concurrence in the opinions expressed [except as to the continuance of the tobacco tax], and in the argument in support of them," and he adds: "Of all you say in your Second article I approve." Hon. W. E. Miller, ex-Chief Justice of the Supreme Court of Iowa, wrote, as to the October article: "I can give it my most hearty approval. It is not only sound as an argument, but is also wise and statesmanlike in policy, and patriotic and American

in every view." As to the November* article, he says: "I have no hesitation in giving the argument my full approval. It most lucidly expresses the view I have entertained upon the subject, and the argument is as fair as it is strong, and in my judgment leaves no ground for an opponent to stand upon." Others, "learned in the law," have written to me in somewhat similar terms.

Some years ago, in referring to a magazine article of mine, similar in its main points to my letter in the October *Advocate*, the eminent jurist, ex-Chief Justice T. M. Cooley, of the Supreme Court of Michigan, wrote to me (Dec. 23, 1885): "I approve of it wholly. The greater the burden that can be put upon the manufacture and sale of intoxicating drinks the better." Senator John J. Ingalls, now President *pro tempore* of the United States Senate, in response to a previous magazine article of mine, of similar tenor, wrote (September 9, 1884): "Your views are just and your position impregnable."

United States Senator John Sherman—one of the most eminent of American statesmen, who was for many years Chairman of the Senate Committee on Finance, and is universally acknowledged to be one of the ablest and most reliable authorities we have in all matters relating to national revenue—wrote to me November* 26th: "Your letter of the 22d is received, with the copies of your articles in the *National Temperance Advocate*. I assure you I read them with attention, pleasure, and approval. The points are well stated by you."

* These months are of 1888.

Hon. H. W. R. Hoyt, Speaker of the House of Representatives of the Connecticut Legislature, in response to my letter in the October *Advocate*, writes: "I read your article carefully and with great interest. My views had been very much in accordance with those of Senator Edmunds, as set forth in his letter next following yours. I must confess, however, you have made a very strong case, and I think you are right. . . . . Your compact and forcible manner of putting the question, and arraying your facts to sustain your views, carries conviction. I think the General Government should keep its grip upon the whiskey traffic, and I agree with you that if that grip is lost, the cheaper whiskey that will result therefrom will tend strongly in the direction of an increase of intemperance."

Hon. Henry M. Seely, President Judge of the Twenty-second Judicial District of Pennsylvania, one of the best jurists in that State, writes on the legal aspects of the question as follows: "I have read with interest your articles upon the Internal Revenue Whiskey Tax in the October and November issues of the *National Temperance Advocate*. . . . . I can perceive no reasonable ground for the assertion that by the imposition of this tax the Government must be held to *license* or *permit* the manufacture and sale of intoxicating beverages within any fair meaning of those terms. The National Government recognizes the right to permit, regulate, *or prohibit* such manufacture and sale, as belonging to the several States, and *in taxing the business simply takes knowledge of the fact of its existence*—a fact *entirely independent of the action of the Government*—and then asserts that *so long as the business is*

actually conducted it shall be required to bear its portion of the burden of taxation for the support of the Government. I thank you for your clear and forcible presentation of the matter." The italicizing in the foregoing extract is my own, designed to emphasize the Judge's remarkably clear, compact, and felicitous statement of the status of the National Government in this matter.

Judge R. C. Pitman, of Massachusetts, having heretofore expressed his approval of the position I have taken in favor of the continuance of the liquor taxes, wrote to me recently expressing his gratification that this pamphlet was to be printed, and added: "I hope the sensible view of taxation will soon supplant the sentimental and delusive one."

On the whole I feel warranted in claiming that as to *the law* of my argument I have exceedingly good backing.

On the ethical side of the question, I am sustained not only by the high authorities above specified, and others not specified, but by leading Doctors of Divinity and other clergymen. Among them are the following: Rev. Dr. R. S. Storrs, of Brooklyn, writes to me as to the two articles in the *Advocate* for October and November: "I have read them both with hearty approval and satisfaction. I do not see how it is possible to answer your arguments, statistical or legal, for the maintenance of the Internal Revenue Whiskey Tax." The Rev. Dr. John R. Paxton, of New York, writes: "I am entirely in sympathy with your views." The Rev. Dr. Wm. Alvin Bartlett, of Washington, D. C., wrote me as to the October article: "I read your clear and excellent exposition of that fallacy in many temperance arguments [that the taxation of intoxicating liquors is wrong], and regard the point well taken and ably defended. It carries full conviction to my mind." As to the November letter he writes: "Your article in its argument and facts, its tone and temper, must carry conviction."

The Rev. Dr. Howard Crosby wrote to me: "I have carefully read your article and confess that your arguments have made me doubt my former opinion that the tax should be abolished" [as allowable "only in war times"]. He wrote me afterward: "You ask me my views as to the ethical question. I have no trouble there. A tax is a restriction, and I believe that tax by State or National Government is ethically right against an evil"; and he was kind enough to add: "Your letters ought to be published in pamphlet form. They will do good."

The Rev. Dr. N. W. Conkling, of New York, after reading the articles in the *Advocates* for October and November, wrote to me: "I am sure you have the right of it, and occupy a position which is impregnable."

Last in date, but not in any other respect, the Rev. Dr. Theodore L. Cuyler wrote me, Nov. 10th: "I have at last caught time to read your two admirable articles on the Taxation of Whiskey, etc. They are simply unanswerable."

With the foregoing legal and clerical testimony in favor of the arguments I have advanced—which are only a portion of the favorable letters I have received—I think I may well rest my case. If it had been practicable for me to have largely extended my in-

quiries among the recognized luminaries of our land, in Law and Divinity, I doubt not I could have presented a much larger array of concurrent testimony from eminent authorities as to the correctness of the propositions I have sought to establish.

CONCLUSION.

The cause of Temperance, it seems to me, secured in November last a very substantial advantage, through the election by the people of the United States of a *Total Abstinence* President. That *means a great deal* in the example as to liquor-drinking that will be set at the White House in Washington by "the first gentleman of the land."—All thanks, by the way, to that fair and gracious "first lady of the land" at present, Mrs. Frances Cleveland, for the noble example of total abstinence that she has set in that same White House for the last two years.

As an Anti-saloon Republican, who believes that the next National Convention of that party will, at the very least (if it goes no farther), declare unmistakably its determination to put an end to saloon domination in our land, I may be permitted to say that the restoration to official place, power, and incidental influence, of the men of that party through which most of our temperance legislation in the North has been accomplished, will, I believe, cause a great accession of energetic and successful temperance effort in this land of ours for the next four years.

This hopeful prospect, if realized, will bring together all Friends of Temperance and Prohibition, North and South, and whether in the Republican, Democratic, or

Third Party—in happy accord and joyful congratulation upon that particular outcome of the recent campaign.

Let me say in closing that, having voluntarily and gladly retired from office and business, after eighteen years of service in the Internal Revenue Office at Washington, and at my somewhat advanced age entertaining no thought or desire ever again to enter upon office or engage in business, my views on this important question of the relations of National Internal Revenue taxation to Temperance and Prohibition must, I think, in all fairness, be regarded as those of a truly independent mind, not uninformed as to the question at issue, and speaking upon it unselfishly, and without fear or favor as to any person or party, in power or out.

I append hereto a Synopsis of Internal Revenue taxation, which may be of interest to such of my readers as desire to know more particularly than I have elsewhere stated, just what that taxation is which its enemies seek to abolish, and which I have sought in the foregoing pages to defend.

SYNOPSIS
OF
INTERNAL REVENUE TAXATION.

DISTILLED SPIRITS.

The tax on distilled spirits is "ninety cents on each proof gallon, or wine-gallon when below proof"; proof spirits being "that alcoholic liquor which contains one-half its volume of alcohol."

The tax attaches to "this substance as soon as it is in existence as such," and is payable "by the distiller, owner, or person having possession thereof, before removal from the distillery bonded warehouse," "and within three years from the date of the entry for deposit therein"; such payment being secured not only by a first lien on the spirits distilled, the distillery and the lot of land, but also by a special warehousing bond. Spirits, however, may be removed in bond for export, or for scientific purposes, or for the use of the United States, without payment of tax.

Besides this, there are the following annual special taxes, viz.:

A *manufacturer of stills* or worms for distilling must pay an annual tax of $50 and also a tax of $20 on each still or worm for distilling made by him.

Rectifiers of spirits pay $200 per annum, if they rectify 500 barrels a year or more, "counting 40 proof gallons to the barrel," or $100 if they rectify less than 500 barrels per annum.

Wholesale liquor-dealers—those selling spirits, wines, or malt liquors "in quantities of not less than 5 wine-gallons at the same time," pay $100.

Retail dealers in liquors, who sell such liquors "in less quantities than 5 wine-gallons at the same time," pay $25.

MALT LIQUORS.

The tax on fermented malt liquors, brewed or manufactured and sold, or removed for consumption or sale, is at the rate of one dollar for each barrel containing not more than 31 gallons, and is payable by stamps sold to brewers at a deduction of 7½ per cent. Certain fractions of barrels (halves, thirds, quarters, sixths and eighths) are taxed proportionately, and hogsheads containing not more than 63 gallons are taxed $2, with the same deduction on sale of stamps.

Brewers pay an annual special tax of $100, excepting that those who manufacture less than 500 barrels per year pay but $50.

Wholesale dealers in [*only*] *malt liquors*—that is, those who sell in quantities of not less than 5 gallons at one time, pay $50.

Retail dealers in [*only*] *malt liquors*, selling in less quantities than 5 gallons at one time, pay $20.

IMITATION WINES, ETC.

Liquors made in imitation of, or as substitutes for, wines—not made from grapes, currants, rhubarb, or berries grown in the United States,

are taxed 10 cents per bottle or package containing not more than one pint, and 20 cents per bottle, etc., containing not more than one quart, and at same rate for any larger quantity, however put up.

TOBACCO AND CIGARS.

On manufactured tobacco, including snuff, the tax is 8 cents per pound; on cigars $3 per thousand; on cigarettes 50 cents per thousand, excepting that cigarettes weighing more than three pounds per thousand are taxed $3 per thousand.

These taxes are payable by stamps, when the articles are sold or removed for consumption or sale.

Imported manufactured tobacco, snuff and cigars, are subject, in addition to the import duty, to the same internal revenue tax as the domestic articles, to be paid by stamps affixed while they are yet in the custody of the customs officers.

Besides these, there are the following annual special taxes relating to tobacco and cigars:

Manufacturers of tobacco, $6; manufacturers of cigars, $6; *dealers in manufactured tobacco or cigars* pay $2.40; *dealers in leaf tobacco*, $12; and in case of certain dealers of limited class and amount of sales, $5. *Retail dealers in leaf tobacco* (those who sell in quantities less than an original hogshead, case, or bale, or directly to consumers, etc.) are required to pay an annual special tax, almost prohibitory, of $250, and thirty cents for each dollar on the amount of their monthly sales in excess of the rate of $500 per annum.

There are also annual special taxes upon *peddlers of tobacco*, ranging from $3.60 on the "4th class" peddler, who travels on foot or by public conveyance, through the grades of $7.20 (one horse or other animal), $15 (two animals) to $30 on the "1st class" peddler, as he is termed, who travels "with more than two horses, mules, or other animals."

OLEOMARGARINE.

Oleomargarine "manufactured and sold, or removed for consumption or use," is taxed 2 cents per pound, to be paid by the manufacturer by affixing the proper stamp, and any fractional part of a pound in a package is taxed as a pound. Oleomargarine imported from foreign countries is taxed 15 cents per pound, in addition to the import duty, the proper stamps to be affixed, while the article is still in the custody of the customs officers.

The following annual special taxes are also imposed:

Manufacturers of oleomargarine pay $600, which payment covers also their sales of their own products in the orginal packages. There is this special proviso as to any manufacturer of oleomargarine who "commences business subsequent to the 30th of June in any year," that "the special tax shall be reckoned from the 1st of July in that year and shall be $500."

Wholesale dealers in oleomargarine, those who sell "in the original manufacturer's packages," pay $480 per annum.

Retail dealers in oleomargarine, those who sell in packages of not more than ten pounds, or "in less quantities than ten pounds at one time," pay $48. They "must sell only *from* original stamped packages."

TAX ON NOTES USED FOR CIRCULATION.

Under § 3408 of the U. S. Revised Statutes a tax is imposed of one-twelfth of one per cent. per month (payable on 1st of January and July) on the average amount of circulation issued by any bank, company or person, and an additional tax of one-sixth of one per cent. per month on such circulation "beyond the amount of 90 per cent. of the capital" of the issuer. (National Banks are excepted.)

Under the provisions of law, a tax of *ten per cent.* is imposed on the paying out as circulation of notes of any town, city, or municipal corporation, or notes of any State bank or banking association, or of any person, firm or association other than a national bank.

I am informed that the small tax under § 3408 is not now collected, unless in cases where the ten per cent. (prohibitory) tax is also at the same time exacted—the occasion for which is, of course, of exceptional occurrence. The entire amount of the smaller tax collected during the two fiscal years ended respectively June 30, 1887 and 1888, was $200.50 (all of it during the latter year); the ten per cent. tax collected during those two years being respectively $4,288.37 and $4,002.05.

The obvious object of these taxes on circulation, especially the ten per cent. tax, is not revenue so much as prohibition of such issues, as a protection to the circulation of U. S. Treasury notes and the issues of the national banks, of which issues those banks are required to make semi-annual returns directly to the U. S. Treasurer, and to pay him tax thereon at the rate of one-half of one per cent. each half year—all of which is done independently of the Internal Revenue system proper.

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END OF
TITLE